

FISCAL NOTE

HB 2525

January 29, 2008

SUMMARY OF BILL: Prohibits local education agencies from constructing new high schools that have a capacity larger than 1,200 students after July 1, 2008. Currently there is no limit in school capacity on new construction. Bill does not affect schools currently in existence with capacity in excess of 1,200.

ESTIMATED FISCAL IMPACT:

Increase Local Gov't. Expenditures* - \$5,182,200 - 1st Year Debt Service

\$76,790,000 Over life of the bonds

\$47,110,440 Principal

\$29,679,000 Interest

Assumptions:

- According to the Comptroller, this bill has no impact on the BEP funding formula for K-12 capital outlay. Any schools built outside the formula are not funded by the BEP and are funded entirely by local dollars.
- According to the Department of Education, approximately 280,000 students are enrolled in high schools in Tennessee. Combining data from the U.S. Census Bureau and the Comptroller, the annual growth rate for the high school student population in Tennessee is 5% over 3 years. The high school population will increase by approximately 14,000 students in FY08-09 ($280,000 \times 1.05 = 14,000$).
- The average capacity of high schools in Tennessee currently is 1,700 students.
- Twelve counties are planning to build one high school each in the next three years at the current average capacity of 1,700 students, an average of four high schools per year accommodating a total of 6,800 new students per year. Remaining growth of 7,200 students ($14,000 - 6,800 = 7,200$) can be accommodated within existing high schools.
- Limiting high school capacity to 1,200 students will require construction of two high schools outside the BEP funding formula in FY08-09 and in

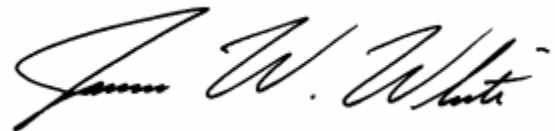
each subsequent year in addition to the four high schools assumed under current law.

- School districts issue bonds to pay for capital expenses. Bonds will be issued for a period of 20 years at an interest rate of 6% and 1/20th of the principal plus interest will be paid annually. Cost of issuance is estimated at 1% face value.
- For computation of construction costs, 130 square feet is allotted for each 9-12 student at \$130 per student. The total square footage of a high school with a 1,200 student capacity at 130 square foot a student is 156,000 square feet ($1,200 \times 130 = 156,000$).
- At \$130 a square foot, the average cost for a 156,000 square foot facility would be \$20,280,000 ($156,000 \times \$130 = \$20,280,000$). Two school buildings (by themselves) will cost a total of \$40,560,000 ($\$20,280,000 \times 2 = \$40,560,000$).
- Assume a 10% equipment fee and a 5% architect fee. This 15% would be added to the total cost of the two schools. 15% of \$40,560,000 is \$6,084,000 ($\$40,560,000 / 100 \times 15\% = \$6,084,000$). Therefore the cost for two schools (without interest) is \$46,644,000 ($\$40,560,000 + \$6,084,000 = \$46,644,000$).
- Bonds will be issued for the \$46,644,000 at rate listed above. The interest would be \$29,679,577.20. The first year's debt service is \$5,182,248.
- This brings the total cost of two schools to \$76,790,017.20 over the life of the issuance (\$46,644,000 (principal) + 466,440 (1% bond issuance) + \$29,679,577.20 (interest) = \$76,790,017.20).

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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